

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7792

BILL NUMBER: HB 1690

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: State revolving fund programs.

FIRST AUTHOR: Rep. Weinzapfel

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Indiana Development Finance Authority to administer the Wastewater Revolving Loan Program, the Drinking Water Revolving Loan Program, and the Supplemental Drinking Water and Wastewater Assistance Fund and Program. The bill transfers to the authority powers and duties of the Budget Agency and Department of Environmental Management with respect to the programs. It repeals provisions concerning certain duties relating to the administration of the programs.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The bill provides that the Indiana Development Finance Authority must administer, hold, and manage the Wastewater Revolving Loan Fund, the Drinking Water Revolving Loan Fund, and the Supplemental Drinking Water and Wastewater Assistance Fund. Money in the funds may be used to provide loans or other financial assistance to political subdivisions, as is current law, and to other participants, which expands the entities eligible for loans. The Authority may contract with the Department of Environmental Management, the Budget Agency, or any other entity or person for assistance in administering the programs and the funds. The impact of the proposal will depend on the implementation of the programs by the Authority. Federal grants provide for much of the administration of the programs.

The proposal allows the Authority to employ fiscal consultants; engineers; general counsel; special counsel; accountants; and any other consultants, employees, and agents. The Authority may fix and pay the compensation of persons employed from money available in the funds or available for the programs. The Authority may establish and implement requirements that apply to loans and other financial assistance to be made to participants that are not political subdivisions; and are different from, or in addition to, requirements that apply to loans and financial assistance made to political subdivisions. The Authority shall establish the

interest rate or parameters for establishing the interest rate on each loan, including parameters for establishing the amount of interest subsidies. More than one interest rate may be established and used for loans or other financial assistance to different participants or for different loans or other financial assistance to the same participants.

The State Revolving Loan Funds (SRFs) and the Supplemental Fund are currently administered jointly by the Budget Agency and IDEM with IDEM responsible for the nonfinancial aspects of the programs and the Budget Agency responsible for the financial aspects. The SRF programs provide low interest loans to political subdivisions for wastewater projects and political subdivisions and private and non-profit entities for drinking water projects.

For FY 2002, wastewater and drinking water SRF loans totaled \$336 M. From 1992 through 2002, 242 loan have been issued from this fund for a total of \$1,088,563,617. The application process is conducted on an annual basis. For FY 2003, the project priority lists contains 56 wastewater projects at \$464 M with 49 drinking water projects at \$114 M. As of November 2002, capacity (funds available for future need) for wastewater was approximately \$300 M with \$86 M for drinking water. The state is able to leverage \$2 for every \$1 received from these funds offered by the federal Environmental Protection Agency. The state has received approximately \$33 M from the federal government for wastewater loans, allowing the state to leverage \$66 M.

The state also receives from the federal government a grant of approximately \$9.5 M for drinking water loans.

This federal grant is able to generate about \$19 M for drinking water loans.

The state does not appropriate any state dollars to match the federal grants.

The Supplemental Fund is used to make grants and loans. The majority are grants. Prior to 1995, Build Indiana Funds were used to fund projects. In 1995, \$28.2 M was appropriated to the fund. In 1999, \$40 M was appropriated to the fund. Interest rates for loans ranged from 0% to 4%.

Four budget analysts at the State Budget Agency administer the State Revolving Loan Funds and the Supplemental Fund. Three analysts are paid through the Indiana Transportation Finance Authority. The fourth analyst serves as a consultant under contract. Costs for the four analysts equal about \$160,000 per year. Approximately 10 staff administer the SRF program for IDEM.

After June 30, 2003, 85 IAC 1, 85 IAC 2, 327 IAC 13, and 327 IAC 14 are void. The publisher of the Indiana Administrative Code (IAC) and the Indiana Register shall remove these articles from the Indiana Administrative Code. After June 30, 2003, any proposed rules amending 85 IAC 1, 85 IAC 2, 327 IAC 13, or 327 IAC 14 that were officially proposed and published in the Indiana Register before July 1, 2003, shall be treated as if they were withdrawn under IC 4-22-2-41. The IAC is published using the budget resources of Legislative Services Agency. Administrative expenses associated with this provision in the proposal could be absorbed given the current budget of the IAC.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Providing that the funds may be used by private entities for additional

projects and providing additional uses of the funds could affect revenue available for projects currently allowed political subdivisions.

State Agencies Affected: Legislative Services Agency, Treasurer of State, Department of Environmental Management, Legislative Services Agency, Budget Agency, and the State Board of Finance.

Local Agencies Affected: Political subdivisions.

Information Sources: Rich Emery, State Budget Agency and State Revolving Loan Program and IDFA.

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